Saskatchewan Government Growth Fund VII Ltd.

Financial Statements

For the Period Ending December 31, 2000

SASKATCHEWAN GOVERNMENT
GROWTH FUND

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Deloitte & Touche

Auditors' Report

To the Shareholders of
Saskatchewan Growth Fund VII Ltd.

We have audited the statement of financial position of Saskatchewan Government Growth Fund VII Ltd. as at December 31, 2000, and the statement of operations and retained earnings and statement of cash flows for the year then ended. These financial statements are the responsibility of the company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the company as at December 31, 2000 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Deloitte & Touche LLP

Chartered Accountants

January 31, 2001

Saskatchewan Government Growth Fund VII Ltd.

(Incorporated under The Business Corporations Act of Saskatchewan)
Statement of Financial Position
As at December 31

	2000	1999
Assets		
Cash and cash equivalents (Note 4)	$ 15,677,785	$ 9,727,610
Accounts receivable and accrued income	49,129	27,413
Deferred costs (Note 5)	1,168,157	673,861
	$ 16,895,071	$ 10,428,884
Liabilities and Shareholders' Equity		
Accounts payable and accrued liabilities (Note 6)	$ 92,905	$ 8,609
Commissions payable	67,500	116,500
Accrued interest payable to investors	58,450	53,383
Subscription deposits (Note 7)	5,345,375	10,119,383
Obligations to investors (Note 8)	11,000,000	-
	16,564,230	10,297,875
Share capital (Note 9)	1,000	1,000
Retained earnings	329,841	130,009
	330,841	131,009
	$ 16,895,071	$ 10,428,884

See accompanying notes to financial statements

On behalf of the Board:

Director

Director

Saskatchewan Government Growth Fund VII Ltd.

Statement of Operations and Retained Earnings
For the Year Ended December 31

	2000	1999
Revenues		
Interest from cash and cash equivalents	$ 737,841	$ 266,284
Other income	19,200	24,838
	757,041	291,122
Expenses		
Administration (Note 11)	219,511	44,660
Interest on subscription deposits	153,524	116,453
Interest on obligations to investors	92,969	-
Amortization of deferred costs	91,205	-
	557,209	161,113
Net income	199,832	130,009
Retained earnings, beginning of year	130,009	-
Retained earnings, end of year	$ 329,841	$ 130,009

See accompanying notes to financial statements

Saskatchewan Government Growth Fund VII Ltd.

Statement of Cash Flows
For the Year Ended December 31

	2000	1999
Cash flows from operating activities		
Net income	$ 199,832	$ 130,009
Adjustments:		
Amortization of deferred costs	91,205	-
Net change in non-cash balances related to operations (Note 12)	(566,854)	(522,782)
Cash flows from operating activities	(275,817)	(392,773)
Cash flows from financing activities		
Proceeds from share issuance	-	1,000
Proceeds from note subscriptions	6,225,992	10,119,383
Cash flows from financing activities	6,225,992	10,120,383
Net increase in cash and cash equivalents	5,950,175	9,727,610
Cash and cash equivalents, beginning of year	9,727,610	-
Cash and cash equivalents, end of year	$ 15,677,785	$ 9,727,610
Interest paid during the year	$ 241,426	$ 63,070

See accompanying notes to financial statements

Saskatchewan Government Growth Fund VII Ltd.
Notes to the Financial Statements
December 31, 2000

1. Status of the corporation

Saskatchewan Government Growth Fund VII Ltd. ("SGGF VII") was incorporated in February 1999 under The Business Corporations Act of Saskatchewan and has been accepted as a government administered venture capital fund under the federal government's Immigrant Investor Program ("IIP"). Under this program, SGGF VII was established to raise $35,000,000 through a note offering. Each note is a variable rate (1½% to 3½%), unsecured, subordinated debt instrument with a cost of $250,000, redeemable in five years provided that 70% of the proceeds are maintained in eligible investments. SGGF VII commenced commercial operations in 1999 and achieved its minimum offering of 14 investors in March 1999. The marketing period for SGGF VII ended on March 31, 1999.

Under the terms of the Confidential Offering Memorandum ("Memorandum"), SGGF VII is required to invest in Saskatchewan based businesses which have assets, including associated companies, of less than $35 million.

As stated in the Memorandum, the Government of Canada and the Government of the Province of Saskatchewan offer no guarantees or assurances on the financial performance of SGGF VII or of a return of an investor's original investment and neither government will be liable for any loss or damages suffered by an investor as a result of an investment in the debt instruments.

2. Significant accounting policies

The accompanying financial statements have been prepared in accordance with generally accepted accounting principles. The following are considered significant:

Deferred costs

Deferred costs include consulting, legal, administrative, accounting, general and printing costs associated with SGGF VII's offering. Commissions paid or payable on subscriptions received have also been deferred. Deferred costs, including commissions, are amortized over five years from date of note issuance.

Commissions payable

According to the terms of marketing agreements entered into by SGGF VII, a commission is legally payable to the independent marketing agents selling the notes upon receipt by SGGF VII of the note subscription deposit and all required documentation. The commission is subject to a holdback pending issuance of the investor's immigrant visa.

Accrued interest payable to investors

SGGF VII accrues interest on note subscription deposits from the date of deposit to the date of note issuance. Investors earn interest at a rate between one and one-half percent (1½%) and three and one-half percent (3½%) per annum. The rate is determined at the time of note subscription deposit.

Obligations to investors

Obligations to investors represent the notes issued to investors of SGGF VII. Interest on notes is accrued at an annual rate between one and one-half percent (1½%) and three and one-half percent (3½%) from the date of note issuance. The rate is determined at the time of note subscription deposit. Interest is paid annually on December 31 and at maturity.

3. Provisions of the IIP

70% investment requirement

SGGF VII is required to invest at least 70% of each note subscription deposit no later than nine months from receipt of the note subscription deposit.

Minimum holding period and maturity of the note

The five year term (minimum holding period) of each note will commence on its investment date, being the date when at least 70% of the note subscription deposit is invested in eligible businesses. Each note will mature five years from its investment date, provided SGGF VII maintains at least 70% of the note subscription deposit continuously invested in the active business operations of eligible businesses for five years following the investment date. The IIP contains provisions which require that the five year term to maturity of a note be extended if, and for so long as, a minimum of 70% of the note subscription deposit ceases to be invested in the active business operations of eligible businesses.

4. Cash and cash equivalents

Included in cash and cash equivalents are numerous Bankers' Acceptances with varying terms that total $13,377,960 (1999 - $5,945,640). These investments mature within the next 59 days and have interest rates ranging from 5.67% to 5.77%.

5. Deferred costs

Deferred costs have been recorded net of accumulated amortization of $91,205 (1999 – $nil).

6. Accounts payable and accrued liabilities

Included in accrued liabilities is an $82,460 (1999 - $nil) provision for future fees payable to the fund manager under the terms of its management services agreement with SGGF VII. This amount is based on the retained earnings of SGGF VII and payable to the fund manager only upon redemption of all notes and satisfaction of all other liabilities of the fund.

7. Subscription deposits

Subscription deposits are reclassified to obligations to investors upon note issuance.

8. Obligations to investors

Notes – 1½% to 3½% unsecured promissory notes.

The obligation at December 31 is comprised of:

		2000	1999
32 notes	1.50%	$ 8,000,000	$ -
5 notes	2.50%	1,250,000	-
5 notes	2.60%	1,250,000	-
2 notes	2.80%	500,000	-
44 notes (1999 – 0 notes)		$ 11,000,000	$ -

Interest Rate Risk

Interest rate risk reflects the risk that SGGF VII's earnings will decline due to fluctuations in interest rates. SGGF VII manages this risk through careful monitoring and matching the duration of its short-term deposits and investments with its obligations to investors.

Liquidity Risk

Liquidity risk is the risk that SGGF VII will encounter difficulty in liquidating its investments at an amount close to fair value at the time it is required to redeem its obligations to investors. Due to the nature of some of SGGF VII's investments, the timing of cash flows from its investments may not exactly match with the payments owing under SGGF VII's obligations to investors. SGGF VII carefully monitors the duration of its investments. However, these timing differences may require SGGF VII to reduce or delay the payments owing on its obligations to investors at maturity.

Measurement Uncertainty

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make certain estimates and assumptions that affect the reported amount of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results may vary from the current estimates. These estimates are reviewed quarterly and, as adjustments become necessary, they are reported in the Statement of Operations and Retained Earnings in the period in which they become known.

Fair Value - Obligations to Investors

Obligations to investors represents the capital invested by immigrant investors in SGGF VII. In addition to earning a nominal return on their capital, their investment in SGGF VII helps satisfy a portion of their visa requirements under the IIP. Each investment in SGGF VII is irrevocable, except in the case of a visa refusal, for a minimum period of five years. Therefore, no secondary market for the obligations exists. Due to the unique features associated with obligations to investors, the calculation of a fair value with appropriate reliability is impractical. The risk factors that impact the fair value of investments, as described above, will also affect the fair value of obligations to investors. Repayment of these obligations at maturity is dependent upon the value and liquidity of investments at that time.

11. Administration

Under the terms of a ten year Management Agreement, expiring in 2009, between SGGF VII and Saskatchewan Government Growth Fund Management Corporation ("SGGF Management Corporation"), SGGF Management Corporation administers the assets of SGGF VII and, beginning October 1, 2000, with the assistance of a fund manager to perform fund administration and due diligence, monitoring and liquidation of investments. SGGF Management Corporation does not guarantee the financial performance of SGGF VII. All services provided to SGGF VII are charged on a fee for service basis. The breakdown of costs is as follows:

	2000	1999
Fund manager fees	$ 70,983	$ -
Fund manager profit share	82,460	-
Salaries and benefits	26,105	22,385
General administration	24,491	24,280
Directors fees and expenses	5,498	3,192
Legal and professional	9,974	10,164
	219,511	60,021
Less costs deferred	-	15,361
	$ 219,511	$ 44,660

Fund manager profit share is a provision for future fees payable to the fund manager under the terms of its management services agreement with SGGF VII. This amount is based on the retained earnings of SGGF VII and payable to the fund manager only upon redemption of all notes and satisfaction of all other liabilities of the fund.

12. Net change in non-cash balances related to operations

	2000	1999
Accounts receivable and accrued income	$ (21,716)	$ (27,413)
Deferred costs	(585,501)	(673,861)
Accounts payable and accrued liabilities	84,296	8,609
Commissions payable	(49,000)	116,500
Accrued interest payable to investors	5,067	53,383
	$ (566,854)	$ (522,782)

13. Income taxes

Greater than 90% of the issued shares of SGGF VII are owned by a provincial Crown corporation. Therefore, SGGF VII is income tax exempt.

14. Related party transactions

Included in these financial statements are income and expense amounts resulting from routine operating transactions conducted at prevailing market prices with various Saskatchewan government controlled departments, agencies and corporations with which SGGF VII is related. Account balances resulting from these transactions are included in the Statement of Financial Position and are settled on normal trade terms.

As stated in Note 11, SGGF VII is under a ten year Management Agreement with SGGF Management Corporation. Total fees paid or payable to SGGF Management Corporation during the year amounted to $219,511 (1999 - $60,021).